

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**To:** Township Trustees and Township Legislative Bodies  
**From:** Micah G. Vincent, Commissioner *MGV*  
**Re:** Township Borrowing for Fire and Emergency Services: Options for Townships  
**Date:** August 28, 2013

## Purpose and Background

The purpose of this memorandum is to remind the Townships of their options regarding emergency fire loans under the statutory amendments enacted by House Enrolled Act 1116 (HEA 1116) and that the time is running short to implement some of these options. This memorandum also supplements the June 20, 2013 memorandum on this topic. This memorandum is intended to be an informative bulletin and is not a substitute for reading the law.

Indiana Code 6-1.1-18.5-8 was amended such that taxes imposed to repay money borrowed under IC 36-6-6-14 (emergency fire loans) fall within a township's maximum levy. Indiana Code 6-1.1-18.5-13, however, permits a township that borrowed money under IC 36-6-6-14 in 2012 or 2013 to petition the Department of Local Government Finance (Department) to increase its maximum levy by the amount borrowed in 2012 or 2013, but not both.

Under IC 36-6-6-14(f), for a township that was permitted to increase its maximum levy under IC 6-1.1-18.5-13(c), repayments of the money borrowed in 2012 or 2013, as applicable, may be made over a three-year period beginning in 2014 and ending in 2016. Under IC 6-1.1-18.5-8.1(b) the maximum levy may be exceeded in 2014, 2015, and 2016 by the amount of ad valorem property taxes imposed by the township to repay money borrowed under IC 36-6-6-14(f) to repay the money borrowed under IC 36-6-6-14(b) in 2012 or 2013. In other words, the money borrowed to repay the 2012 or 2013 emergency fire loan in 2014, 2015, and 2016 would be outside the maximum levy.

These various statutes are designed to minimize the impact on taxpayers of the increased fire maximum levy for those townships that complete the appeal process. In order to accomplish this, townships looking to repay the loan outside of the maximum levy must spread the loan repayment over three years.

## Emergency Fire Loan Options for Townships that Borrowed in 2012 or 2013

1. For those Townships that obtained an emergency fire loan with a one-year repayment provision and petitioned the Department for a maximum levy increase, if the Township opts to repay the entire loan amount in 2014, the loan repayment will be within the maximum levy and will, therefore, reduce the Township's operating money for 2014 by the amount of the loan repayment. The

Township would, however, see the benefit of the increased maximum levy in 2015 and the years following.

2. Townships that obtained an emergency fire loan with a one-year repayment provision and petitioned the Department for a maximum levy increase may opt to restructure the debt to a three-year repayment schedule with repayments in 2014, 2015, and 2016. The levy to repay this loan would be outside the maximum levy thus allowing the Township to benefit from the increase in the maximum levy.

3. For those Townships that obtained an emergency fire loan with a one-year repayment provision and that petitioned the Department for a maximum levy increase but are not able to restructure the loan, the Township may opt to obtain a second loan in 2013 that has a three-year repayment provision in order to repay the one-year loan in 2014 and take advantage of the second loan's repayments in 2014, 2015, and 2016 being outside the maximum levy.

4. Those Townships that obtained an emergency fire loan with a three-year repayment schedule and petitioned the Department for a maximum levy increase will be able to take advantage of the repayments being outside the maximum levy for 2014, 2015, and 2016 under IC 6-1.1-18.5-8.1 and take advantage of the levy increase.

#### **Time is of the Essence**

The Department notes that there is little time to restructure a loan or to obtain a second loan in 2013, and, therefore, a Township that intends to take advantage of those options should undertake the process as soon as possible. Townships going through this process should contact Department Staff Attorney David Marusarz at 317-233-6770 or [dmarusarz@dlgf.in.gov](mailto:dmarusarz@dlgf.in.gov) for immediate assistance. The Department also notes that under IC 6-1.1-17-17 it must ensure that Townships have the resources to pay their debts and, therefore, certain advertisement issues may be resolved in that manner. In addition, the Department observes that IC 36-6-6-14.5 does not apply to second loans. The Department desires to have all loans taken out by October 15, 2013 so that the Department can begin its budget work.

#### **Compliance with State and Federal Laws**

It is the responsibility of the Township to ensure it complies with all state and federal laws with respect to this process. The Department encourages the Townships to seek the advice of their attorneys and/or financial advisors for compliance with state and federal law.